



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.08

Required Report - public distribution

Date: 8/19/2003

GAIN Report Number: IN3076

India

Tree Nuts

Annual

2003

Approved by:

Chad Russell

U.S. Embassy, FASNEWDELHI

Prepared by:

Santosh Kr. Singh

Report Highlights:

India's almond imports in 2003/04 are forecast to decline to 24,000 tons (kernel weight), on expected higher export prices of US almonds. Indian walnut production in 2003/04 is forecast to increase to 31,000 tons (in-shell) due to favorable weather conditions. Exports are forecast at 15,000 tons on tight supplies.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
New Delhi [IN1]
[IN]

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SECTION I - SITUATION & OUTLOOK

ALMONDS

Production

Despite the 'down' phase of the alternating bearing pattern of the trees, India's almond crop is forecast at 1100 tons (kernel weight basis) in 2003/04 due to favorable weather conditions. Assuming normal weather conditions, 2004/05 production is forecast to increase to 1200 tons.

Almonds are grown in the Kashmir Valley, and consumed almost exclusively where produced. The yield ranges from 1000-1500 nuts/tree/year; shelling rates are 20-25 percent (hard shell varieties) to 40 percent (thin-shelled varieties).

Consumption

Almost 96 percent of India's consumption requirement is met through imports. US almonds have a dominant share (more than 85 percent) in the Indian market. Consequently, domestic market prices tend to closely follow US export prices. Local consumption has grown in the last few years on attractive prices vis-à-vis other nuts, steady growth in the Indian economy and an expanding middle class. Indian almond consumption in 2003/04 is forecast lower at 26,000 tons on expected higher export prices of US almonds. Consumption is likely to recover in 2004/05 to 28,000 tons as the alternating bearing pattern of the US crop will increase supplies and lower export prices.

Indian consumers consider almonds a 'high energy' food, especially good for growing children, recuperating patients, and people involved in a high level of physical activity. Almonds are consumed as whole nuts and/or used in local desserts, sweets and confectionary items. Consumption is seasonal, occurring more during the winter festival season from September through January. They are also heavily consumed during marriages and other major social events. The relatively low prices during the last few years have favored the substitution of almonds for other nuts (cashews and pistachios) in traditional Indian dishes, snack foods, and confectionary items. However, some traditional users (mostly higher income households) prefer Iranian (Mamra/Qumi) and Afghani (Gulbandi/Kagzi) almonds despite premium prices (see table 3). The rancid almond kernels are mostly processed for oil by cosmetic manufacturers.

Trade

India's almond imports in 2002/03 reached a record 26,850 tons on comparatively low US export prices. Indian almond imports for 2003/04 are forecast lower at 24,000 tons as US export prices are expected to rule comparatively higher vis-à-vis last year prices. India's almond imports in 2004/05 may recover to 26,500 tons on anticipated higher US almond production and consequent lower prices.

Almonds are one of the leading US agricultural exports to India as volumes increased from 6,000 tons in 1996/97 to a record 23,800 tons in 2002/03 (market share of 86 percent). Imports from competing origins, such as Iran, Afghanistan, Australia, and Middle East in the recent past have been stagnant due to comparatively higher prices vis-à-vis prices for US almonds. Under the recently signed Indo-Afghan Preferential Trade Agreement (IAPTA), India provides a tariff concession of 50 percent of the applicable basic duty on almonds imported from Afghanistan (see IN3040). The duty benefit narrows the existing price difference between US almonds vis-à-vis Afghani almonds in favor of the later. Market

sources expect a 5 percent gain in market share of almonds from Afghanistan at the expense of US nuts.

Steady and relatively low domestic prices during the season (see table 2 & 3) have supported higher volumes of imports during 2002/03. Many of the traders took a long position, contracting for imports when the US export prices were lowest (CIF \$1.02-1.05/lbs in September), and thereby benefited on steadily increasing US export prices during the later part of the season. However, most traders are expected to take a short position in contracting for the 2003/04 almond crops as opening export prices are expected to be high. Imports from the US and Australia are mostly nonpareils in shell, hand shelled locally before being sold in the market. Imports from Iran, Afghanistan, and the Middle East are mostly kernels.

Trade Policy & Market Opportunities

While there are no quantitative restrictions on imports of almonds, high tariffs (see table 9) constrain growth in almond imports. Market sources assess India's import potential at 35-36,000 tons of US almonds if tariff levels were "reasonable" (i.e., rs. 15-20/kg vs. the existing rs. 35/kg). In addition to addressing the trade policy issues, efforts to increase sales of US almonds should include a media campaign focusing on year-around consumption of almonds by highlighting its nutritional benefits and alternative usage in traditional and western-style foods.

WALNUTS

Production

Despite the 'down' phase of the alternating bearing pattern of the trees, India's 2003/04 (Oct./Sept.) walnut production is forecast higher at 31,000 tons (in shell basis) due to extremely favorable weather conditions. Light rains in February/March provided optimum moisture conditions to the trees at flowering and fruit setting stages. Excellent monsoon rains since mid-June have been extremely beneficial for fruiting and good nut size formation. Market sources expect the nut size to be up by 10 percent compared to that from the previous year (nut size varies from 24-32 mm). There are no reports of any pest or disease attacks. Arrivals are expected to be timely from early September, with peak in late October. Assuming normal weather, 2004/05 walnut crops is forecast higher at 33,000 tons on higher yielding phase of the alternating bearing pattern.

Indian walnuts are grown almost entirely (98 percent) in Jammu and Kashmir under rainfed conditions in rocky terrain. Stagnant grower prices and continued uncertainty and violence in Kashmir have discouraged additional plantings. Yields are low due to the lack of irrigation and low fertility, ranging from 18-50 kg/tree/year. Indian walnuts are classified as either hard, medium or thin shell (Kaghazi). The average shelling rate is 40 percent, but can go as high as 70 percent in the case of the thin-shelled 'Bakshi' variety.

Consumption

Despite tight supplies, walnut consumption in 2003/04 is forecast higher at 16,500 tons on improved domestic demand and expected higher prices of other nuts like almonds. Walnut consumption will remain stagnant in 2004/05 at 16,500 tons owing to expected recovery in exports and availability of lower priced almonds. Domestic walnut prices were very firm in 2002/03 (see tables 6 & 7) on tight domestic supplies and prices are expected to remain firm during 2003/04 season.

Better consumer packaging (vacuum packs) have encouraged middle class consumers to include walnuts for year-round snacking purposes. Walnut usage by the confectionary and ice-cream industry is expected to continue to increase as walnut prices are competitive with other nuts like almonds, cashew nuts, and pistachios. Around 2-3 percent of walnuts (normally rancid nuts) are used for oil extraction to be utilized by soap and cosmetic manufacturers.

Trade

Although walnut exports depend largely on export demand and domestic prices, exports in 2003/04 are forecast at 15,000 tons (unchanged from 2002/03 exports) on tight domestic supplies; and increase to 17,000 tons in 2004/05 on forecast higher production.

Exports during MY 2002/03 have been revised lower to 15,000 tons on tight domestic supplies, strong domestic demand, and diminished export competitiveness due to strengthening in the value of Indian rupee. The value of the Indian rupee compared to the US dollar improved by 5-6 percent during 2002/03. Major export destinations during the Indian fiscal years 2001 and 2002 were Spain, Germany, France, U.K., Greece, Egypt, Netherlands, Denmark, and Italy (see table 8). Most walnuts are exported from October through March. More than 95 percent are exported as kernels (40 percent light halves; 20 percent amber halves/broken; and the balance as broken) in vacuum packs.

There are no restrictions on walnut exports, and no export subsidies are provided. Walnuts, like most other dry fruits and nuts, are allowed to be imported without restriction under the Open General License (OGL), subject to an effective import duty of 35.2 percent (see tariff table 9) except for South Asian Association for Regional Cooperation (SAARC) countries and Afghanistan. Given the strong domestic production and high tariffs, opportunities for imports are negligible.

SECTION II – STATISTICAL TABLES

Table 1: Commodity, Almond PSD Table

PSD Table

Country:	India		Almonds, Shelled Basis		2002		2003		2004		UOM
	Old	New	Old	New	Old	New	Old	New			
Commodity:	09/2002		09/2003		09/2004		(MONTH/YEAR)				
Market Year Begin	09/2002		09/2003		09/2004		(MONTH/YEAR)				
Area Planted	19000	19000	19000	19000	0	19000	(HA)				
Area Harvested	16800	16800	16900	16900	0	16900	(HA)				
Bearing Trees	1050	1050	1100	1100	0	1100	1000 TREES				
Non-Bearing Trees	250	250	200	200	0	200	1000 TREES				
Total Trees	1300	1300	1300	1300	0	1300	(1000 TREES)				
Beginning Stocks	5000	5000	5600	5450	0	4550	(MT)				
Production	1100	1100	1000	1100	0	1200	(MT)				
Imports	27000	26850	22000	24000	0	26500	(MT)				
TOTAL SUPPLY	33100	32950	28600	30550	0	32250	(MT)				
Exports	0	0	0	0	0	0	(MT)				
Domestic Consumption	27500	27500	25000	26000	0	28000	(MT)				
Ending Stocks	5600	5450	3600	4550	0	4250	(MT)				
TOTAL DISTRIBUTION	33100	32950	28600	30550	0	32250	(MT)				

Note: Due to the continued civil strife, Post is unable to visit Jammu and Kashmir. As published information on almonds is limited, the PSD is based on discussions with major almond traders.

Table 2: Almond, Price Table

Prices Table

Country: India

Commodity: Almonds, Shelled Basis

Year: 2003

Prices in (currency) rupees per (uom) 100 kg

Year	2002	2003	% Change
Jan	25600	26500	3.5%
Feb	26600	25700	-3.4%
Mar	24800	24300	-2.0%
Apr	25000	25100	0.4%
May	25175	25400	0.9%
Jun	26500	26200	-1.1%
Jul	25850	25600	-1.0%
Aug	26200		-100.0%
Sep	25500		-100.0%
Oct	25200		-100.0%
Nov	25200		-100.0%
Dec	25550		-100.0%

Exchange Rate 45.8 (Local currency/US \$)

Date of Quote 08/13/03 (MM/DD/YY)

Source: Economic Times (Weekend Prices in Delhi Wholesale Market).

Table 3: Wholesale Almond Kernel Prices, Delhi Market during MY 2002/03 vs. 2001/02

Type (Origin)	2002/03	2001/02
Californian Almonds	243-266	208-270
Mamra Almonds (Iran)	470-550	420-460
Qumi Almonds (Iran)	285-315	280-320
Gulbandi Almonds (Afghan)	235-265	250-280
Kagzi Almonds	300-320	300-310

Source: Market Sources.

Table 4: Almond, Import Trade Matrix

Import Trade Matrix

Country: India Units:

Commodity: Almonds, Shelled Basis

Time period:

Imports for 2001 2002

U.S. U.S.

Others Others

Iran	1485	Iran	1400
Afghanistan	922	Afghanistan	1300
Australia	163	Australia	150
UAE	55	UAE	50
Total for Others	2625		2900
Others not listed	222		150
Grand Total	24900		26850

Source: Estimates derived from official GOI sources (2001/02), trade sources (2002/03) and California Almond Board Statistics (2001/02 and 2002/03).

Table 5: Commodity, Walnut, PSD Table

PSD Table

Country:

India

Commodity:

Walnuts, Inshell Basis

	2002		2003		2004		UOM
	Old	New	Old	New	Old	New	
Market Year Begin		10/2002		10/2003		10/2004	(MONTH/YEAR)
Area Planted	36500	36500	36500	36500	0	36600	(HA)
Area Harvested	30200	30200	30500	30500	0	30500	(HA)
Bearing Trees	1307	1307	1310	1320	0	1320	1000 TREES
Non-Bearing Trees	265	265	265	255	0	255	1000 TREES
Total Trees	1572	1572	1575	1575	0	1575	(1000 TREES)
Beginning Stocks	4050	4050	3050	3050	0	2550	(MT)
Production	32000	30000	30000	31000	0	33000	(MT)
Imports	0	0	0	0	0	0	(MT)
TOTAL SUPPLY	36050	34050	33050	34050	0	35550	(MT)
Exports	17000	15000	15000	15000	0	17000	(MT)
Domestic Consumption	16000	16000	16000	16500	0	16500	(MT)
Ending Stocks	3050	3050	2050	2550	0	2050	(MT)
TOTAL DISTRIBUTION	36050	34050	33050	34050	0	35550	(MT)

Note: Due to the continued civil strife, Post is unable to visit Jammu and Kashmir. As published information on walnuts is limited, the PSD is based on discussions with major walnut traders in Delhi.

Table 6: Walnut, Price Table

Prices Table

Country: India

Commodity: Walnuts, Inshell Basis

Year: 2003

Prices in (currency) Rupees per (uom) 100 Kg

Year	2002	2003	% Change
Jan	8000	9400	17.5%
Feb	8000	8700	8.8%
Mar	8000	9000	12.5%
Apr	8100	9000	11.1%
May	8400	9000	7.1%
Jun	8400	9350	11.3%
Jul	8200	10000	22.0%
Aug	8000		-100.0%
Sep	7800		-100.0%
Oct	10000		-100.0%
Nov	10000		-100.0%
Dec	8000		-100.0%

Exchange Rate 45.8 (Local currency/US \$)

Date of Quote 08/13/03 (MM/DD/YY)

Source: Economic Times (Weekend Prices in Delhi Wholesale Market).

Table 7: Walnut Prices during 2002/03 vs. 2001/02

PRICE	UNITS	2002/03	2001/02
Wholesale Price of FAQ Walnut	(Rs./Kg)	50-60	35-45
Export Price (C&F Europe)	US\$/MT		
1. Light Halves	-do-	3950-4900	3800-4500
2. Light Broken/Amber Halves	-do-	2850-3700	2700-3400
3. Amber Broken	-do-	2600-3300	2600-2900

Source: Market Sources.

Table 8: Walnut, Export Trade Matrix

Export Trade Matrix

Country:	India	Units:	Metric Tons
Commodity:	Walnuts, Inshell Basis		
Time period:	Apr-Mar		Apr-Mar
Exports for	2001		2002
U.S.	174	U.S.	150
Others	Others		
Spain	3950	Spain	3000
German F Rep	1913	Egypt A Rep	1900
Egypt A Rep	1622	German F Rep	1800
UK	1482	France	1800
France	1382	Greece	1300
Greece	1320	UK	1200
Denmark	835	Denmark	700
Netherlands	720	Netherlands	600
Australia	542	Australia	350
UAE	216	New Zealand	350
Total for Others	13982		13000
Others not listed	2844		1850
Grand Total	17000		15000

Source: Indian Fiscal Year (IFY) 2001 – Export figures from DGCIS, Ministry of Commerce.
IFY 2002 – Provisional Trade Estimates.

Table 9: Tariff Table for Almonds and Walnuts for IFY 2003/04

Commodity Code	Description	Import Policy	Basic Duty/2	Special Addl. Duty(%)	Total Applicable Duty (%)
HC 0802.11	Almonds Inshell	OGL /1	Rs 35/kg	4	/4
HC 0802.12	Almond Kernel	OGL /1	Rs 65/kg	4	/4
HC 0802.31	Walnut InShell	OGL /1	30/20% /3	4	35.2/24.8 /3
HC 0802.32	Walnut Shelled	OGL /1	30/20% /3	4	35.2/24.8 /3

Notes:

/1: OGL (Open General License) – no import restrictions.

/2: Under the IAPTA, a tariff concession of 50 percent applied on the basic import duty for these goods if imported from Afghanistan.

/3: Preferential duty for SAARC countries (Pakistan, Bangladesh, Sri Lanka, Nepal, Maldives and Bhutan).

/4: Method for computing Total applicable duty:

A: CIF Value of Good

B: Basic Duty = Basic Duty Rate * A

C: Special Additional Duty (SAD) = SAD Rate * (A+B)

Total Applicable Duty = B+C

/5: India's local food law (Prevention of Food Adulteration Act, 1955) specifies that dry fruits and nuts should not contain more than 5 percent insect damaged fruits/nuts, by counts.